

LNG WORLD MARKET UPDATE

December 15, 2016

FERC denies rehearing Jordan Cove LNG Project; a future LNG supply crunch may occur without additional investment in new LNG projects; Chinese insurance companies see revenue opportunities in pipeline investments; and U.S. gas prices continue to rise. This weekly news blast is intended to provide relevant industry information to Alaskan stakeholders and inform audiences of the competitive landscape in the global LNG market. Subscription options for this report are available at the bottom of this email. Please contact AGDC External Affairs at externalaaffairs@agdc.us with questions.

Natural Gas

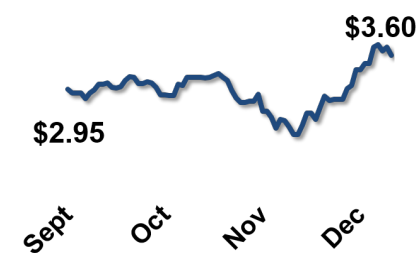
HH Spot Price

\$3.60 (\$/MMBtu)
December 12 close

Weekly Change

↑\$0.16 (4.65%)

Trend



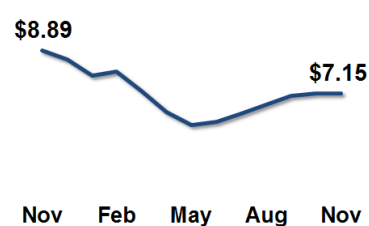
Source: EIA

LNG Import Price

Japan

\$7.15 (\$/MMBtu)
November 2016

Trend



Source: World Bank

Jordan Cove LNG Project Back to Square One With FERC Rehearing Denial

(Financial Post; Dec 12) - The Federal Energy Regulatory Commission declined Calgary-based pipeline and midstream company Veresen's application for a re-hearing on its \$5.3-billion Jordan Cove LNG project on the Oregon coastline. Despite announcements of off-take agreements with JERA CO. Inc. and ITOCHU Corp., FERC said the company has not sufficiently demonstrated a need for a re-hearing. According to analysts, Veresen may wait until president-elect Donald Trump is sworn into office to re-apply. [Read More](#)

Lack of Investment in New Sources of LNG Supply May Become Problematic

(Interfax Global Energy; Dec 14) - Industry experts are optimistic about the future of global natural gas and LNG, but lack of investment in new sources of supply may be a major concern in the long-term. IEA's World Energy Outlook division head Tim Gould sees that without additional investments, there could be a supply crunch and higher prices. Rasgas' chief marketing and shipping officer, Khalid Sultan R. al-Kuwari, agrees and sees "[in] the next five years there being excess supply in the market; the question is what happens in the 2022-2025 timeframe if no FIDs are taken in the next couple of years," he said.

[Read more](#)

Sinopec Sells Stake in Natural Gas Pipelines to Expand Gas Business

(Bloomberg; Dec 12) - China Life Insurance Co. and State Development & Investment Corp. will buy a 50 percent stake in Sinopec's Sichuan-to-East China Gas pipelines. "With stable cash flows and a regulated return on asset at 8 percent, pipelines make better assets for insurance companies than oil majors," says a senior analyst at Sanford C. Bernstein. The Chinese government is pushing for investment in cash-intensive infrastructure projects and increasing the use of natural gas, with the National Energy Administration estimating demand to rise to as high as 350 billion cubic meters by 2020, up from 193.2 billion last year. [Read more](#)

U.S. Natural Gas Prices See Hike

(Bloomberg; Dec 9) - As U.S. Natural Gas inventories fall due to higher export levels, falling production levels and colder forecasted weather, U.S. natural gas prices have taken off. Although weather is going to be the biggest driver of prices in the short term due to seasonal supply and demand, it is anticipated that gas prices may see some impact from the new Trump presidency, depending on what changes are made to U.S. drilling policy and environmental policy. [Read more](#)